

NOTE 6 – CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 01/01/06	Prior Year Adjustments	Increases	Decreases	Balance 12/31/06
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 686,235	\$ -	\$ 67,468	\$ (22,385)	\$ 731,318
Infrastructure	910,523	-	49,732	(7,070)	953,185
Work in progress	52,063	-	38,010	(12,828)	77,245
Total capital assets not being depreciated	1,648,821	-	155,210	(42,283)	1,761,748
Capital assets being depreciated					
Buildings	645,251	-	15,848	(7,566)	653,533
Improvements other than buildings	30,692	-	4,244	(13,354)	21,582
Equipment	203,678	-	30,677	(21,276)	213,079
Total capital assets being depreciated	879,621	-	50,769	(42,196)	888,194
Less accumulated depreciation for:					
Buildings	(183,404)	-	(19,672)	1,866	(201,210)
Improvements other than buildings	(5,760)	-	(2,334)	4,185	(3,909)
Equipment	(130,733)	-	(22,999)	16,473	(137,259)
Total capital assets being depreciated - net	559,724	-	5,764	(19,672)	545,816
Governmental activities capital assets - net	\$ 2,208,545	\$ -	\$ 160,974	\$ (61,955)	\$ 2,307,564
Business-type Activities:					
Capital assets not being depreciated					
Land	\$ 282,808	\$ -	\$ 41,948	\$ -	\$ 324,756
Work in progress	695,541	-	382,249	(121,669)	956,121
Total capital assets not being depreciated	978,349	-	424,197	(121,669)	1,280,877
Capital assets being depreciated					
Buildings	903,939	131,804	30,464	(3,219)	1,062,988
Improvements other than buildings	1,743,766	237,245	76,760	(5,297)	2,052,474
Equipment	1,796,940	(369,049)	26,929	(37,904)	1,416,916
Total capital assets being depreciated	4,444,645	-	134,153	(46,420)	4,532,378
Less accumulated depreciation for:					
Buildings	(321,415)	(26,361)	(23,763)	313	(371,226)
Improvements other than buildings	(659,938)	(47,448)	(49,163)	753	(755,796)
Equipment	(1,043,294)	245,197	(90,663)	8,372	(880,388)
Total capital assets being depreciated - net	2,419,998	171,388	(29,436)	(36,982)	2,524,968
Business-type activities capital assets - net	\$ 3,398,347	\$ 171,388	\$ 394,761	\$ (158,651)	\$ 3,805,845

Prior year adjustments under Business-type activities are attributed to the Water Quality Enterprise which reported a reclassification of capital assets between classes and an adjustment in accumulated depreciation due to changes in estimated useful lives of certain Westpoint Treatment Plant assets. (See Note 15 – Restrictions, Reserves, Designations, and Changes in Equity – Restatements of Beginning Balances.)

All but one of the County's internal service funds are classified under governmental activities for government-wide reporting. Capital assets of the Wastewater Equipment Rental Fund, an internal service fund that provides services exclusively to an enterprise fund, are reported under business-type activities.

NOTE 6 – CONTINUED**Depreciation Expense**

Depreciation expense was charged to functions of the Primary Government as follows (in thousands):

Governmental Activities	
General government services	\$ 14,306
Law, safety and justice	12,019
Physical environment	242
Transportation	628
Economic environment	251
Mental and physical health	1,993
Culture and recreation	1,974
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	7,931
Total depreciation expense – governmental activities	<u>\$ 39,344</u>
Business-type Activities	
Water Quality	\$ 75,796
Public Transportation	67,975
Solid Waste	13,636
King County International Airport	1,709
Radio Communications	1,557
Institutional Network	366
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on their usage of the assets	751
Total depreciation expense – business-type activities	<u>\$ 161,790</u>

Infrastructure

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in King County's infrastructure is the roads and bridges network maintained by the Roads Division of the Department of Transportation. The roads and bridges network infrastructure is reported using the modified approach, i.e., depreciation is not recorded. An important consequence of opting for the modified approach is that costs incurred to extend the asset's useful life which are normally capitalized under the depreciation method are now expensed as preservation costs.

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

NOTE 6 – CONTINUED**Land**

Land also includes right-of-way (including infrastructure-related), conservation easements, and farmland development rights.

Right-of-Way

Estimated original historical costs for infrastructure-related right-of-ways were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Conservation Easements

A conservation easement is a legal agreement between a landowner and the County that permanently limits land uses in order to protect conservation values.

Farmland Development Rights

The Farmland Preservation Program was established in 1979 to preserve, protect, and enhance agricultural lands and open spaces. Under this program the County has acquired farmland development rights for approximately 12,800 acres. Acquisition of these development rights was intended to ensure that land is not developed in a nonagricultural use.

Real Property Under Capital Lease

King County is currently leasing certain land and buildings pursuant to special financing agreements which are in substance capital leases. Contract terms stipulate that the titles to these properties revert to the County upon lease expiration. The King Street Center (\$78.2 million) and the Patricia Bracelin Steel Memorial (\$62.5 million) buildings were developed for the County by "63-20" corporations under design-build-lease agreements financed with lease revenue bonds issued on behalf of the County.

Business-type capital assets under capital lease include a 150-stall parking facility (\$3.7 million) leased by the Public Transportation Enterprise.

Construction Commitments

Project commitment is defined as authorized and planned expenditures for the next fiscal year.

Proprietary Funds

Public Transportation Enterprise – \$385.0 million is committed to maintenance of existing infrastructure, replacement of aging fleet, and expansion of transit base capacity.

Water Quality Enterprise – \$1.1 billion is committed to constructing a new major wastewater treatment plant and ensuring the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities.

Other Enterprises – \$74.3 million is committed to improving the County's solid waste regional landfill and transfer stations; \$27.7 million is committed to runway rehabilitation and facilities improvements at the King County International Airport.

NOTE 6 – CONTINUEDCapital Projects Funds

\$528.7 million is committed to various capital projects, including: 1) strategic property acquisitions oriented towards conservation of natural resources, protection of habitat, and control of urban sprawl; 2) development and improvement of trails, playgrounds and ballfields, and other cultural facilities; 3) affordable housing; 4) technology initiatives to improve business efficiency, emergency preparedness, and network security; 5) flood control to protect the ecosystem and public property; 6) preservation and widening of roads and bridges; and 7) improvement of building facilities.

Discretely Presented Component UnitsHarborview Medical Center (HMC)

Capital assets activity for HMC during the fiscal year ended June 30, 2006, was as follows (in thousands):

	Balance 07/01/05	Increases	Decreases	Balance 06/30/06
Capital assets not being depreciated:				
Land	\$ 1,586	\$ -	\$ -	\$ 1,586
Work in progress	42,892	54,730	(5,999)	91,623
Total capital assets not being depreciated	44,478	54,730	(5,999)	93,209
Capital assets being depreciated:				
Buildings	185,346	1,158	-	186,504
Improvements other than buildings	1,363	168	-	1,531
Equipment	273,751	15,094	(9,555)	279,290
Total capital assets being depreciated	460,460	16,420	(9,555)	467,325
Less accumulated depreciation for:				
Buildings	(77,250)	(5,891)	-	(83,141)
Improvements other than buildings	(775)	(78)	-	(853)
Equipment	(168,668)	(19,052)	8,796	(178,924)
Total capital assets being depreciated - net	213,767	(8,601)	(759)	204,407
HMC capital assets, net	<u>\$ 258,245</u>	<u>\$ 46,129</u>	<u>\$ (6,758)</u>	<u>\$ 297,616</u>

HMC also owns other property (net cost of \$2.2 million) which are held for future use. These are reported under "Other Assets" in the component unit statements.

A major construction program is ongoing at HMC involving major upgrades to existing hospital buildings, demolition of seismically unsound older buildings, and construction of new and replacement facilities. This program, which began in 2001, is funded primarily by \$193 million in bonds from the County, with \$124 million already issued; and \$85 million in contributions from HMC, with \$80 million already contributed.

NOTE 6 – CONTINUEDWashington State Major League Baseball Stadium Public Facilities District (PFD)

Capital assets activity for the PFD for the period ended December 31, 2006, was as follows (in thousands):

	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Capital assets not being depreciated:				
Land	\$ 38,498	\$ -	\$ -	\$ 38,498
Capital assets being depreciated:				
Baseball stadium	489,091	373	-	489,464
Improvements other than buildings	16,292	4,374	-	20,666
Equipment	65	-	-	65
Total capital assets being depreciated	505,448	4,747	-	510,195
Less accumulated depreciation for:				
Baseball stadium	(80,154)	(12,643)	-	(92,797)
Improvements other than buildings	(407)	(109)	-	(516)
Equipment	(53)	(7)	-	(60)
Total capital assets being depreciated - net	424,834	(8,012)	-	416,822
PFD capital assets, net	<u>\$ 463,332</u>	<u>\$ (8,012)</u>	<u>\$ -</u>	<u>\$ 455,320</u>